

Fiscal Note

Fiscal Services Division



HF 113 – Investment Counseling Services Sales Tax Exemption (LSB 1606HH)
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Fiscal Note Version – New
Requested by Representative J. Scott Raecker

Description

House File 113 exempts investment counseling services from State sales tax.

Assumptions

- Based on the Department of Revenue sales tax data, investment counseling and trust department businesses with Iowa sales/use tax permits had taxable sales of \$14.6 million in FY 2008.
- A growth factor of 3.2% was used to trend taxable sales from FY 2008 to FY 2010 and FY 2011.
- The State sales/use tax rate is 6.0% with 5/6ths deposited in the General Fund and 1/6th deposited in the Secure and Advanced Vision for Education (SAVE) Fund.
- The statewide effective local option sales tax (LOST) rate in FY 2009 is 0.74%. This rate is assumed to be similar in future fiscal years.
- Banks that provide investment counseling services are also subject to the sales tax. However, data from the Department's database is not able to distinguish investment counseling services from other taxable services provided by banks. This fiscal note does not include the impact on banks.

Fiscal Impact

House File 113 is estimated to reduce State sales/use tax by \$933,000 in FY 2010, \$963,000 in FY 2011, and \$994,000 in FY 2012 and similar amounts in future fiscal years. The estimated fiscal impact to the General Fund, Secure an Advanced Vision for Education (SAVE) Fund and to local jurisdictions for LOST is provided in the following table:

Estimated Impact of House File 113

	FY 2010	FY 2011	FY 2012
General Fund	\$ -777,468	\$ -802,346	\$ -828,022
SAVE Fund	-155,494	-160,469	-165,604
LOST	-115,065	-118,747	-122,547

Sources:

Iowa Department of Revenue
LSA Calculations

/s/ Holly M. Lyons

March 23, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), [Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
